

Decision \_\_\_\_\_

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of San Diego Gas & Electric Company (U 902 E) for Approval to Amortize its Energy Resource Recovery Account (ERRA) Over-Collection through a Reduction to Electric Commodity Rates.

Application 05-06-044  
(Filed June 29, 2005)

**OPINION ON ENERGY RESOURCE  
RECOVERY ACCOUNT****1. Summary**

The application of San Diego Gas & Electric Company (SDG&E) to amortize a \$50.3 million overcollection in its Energy Resource Recovery Account (ERRA) is granted. The overcollection will be amortized over a 12 month period resulting in a reduction to SDG&E's total system average electric rate of 0.32 cents per kilowatt-hour (kWh), or 2.4%. Rates are reduced for all consumption not subject to Assembly Bill (AB) 1X rate caps. The decrease results from the combined refund payments of \$38 million from the Mirant electric generator settlement and the El Paso Natural Gas settlement that were credited to the existing balance of \$7.9 million, exceeding the 4% trigger resulting in this decrease. The matter is uncontested.

This proceeding is closed.

**2. Background**

In accordance with Decision (D.) 02-10-062, which implemented the provisions of AB 57, SDG&E's ERRA is subject to a trigger mechanism that

requires the filing of an application at any time that the recorded monthly balance (undercollection or overcollection) exceeds a 4% trigger point. The trigger mechanism considers the relationship between the ERRA balance and the prior year's recorded electric commodity revenues, excluding the revenues collected for the California Department of Water Resources (DWR). Under the provisions of the trigger mechanism, SDG&E is required to file an expedited application for approval within 60 days from the filing date when the ERRA balance reaches 4% of the prior year's recorded electric commodity revenues, excluding DWR. The application must include a projected account balance in 60 days or more from the date of filing, depending upon when the balance will reach AB 57's 5% threshold, propose an amortization period for the 5% of not less than 90 days, and include a proposed allocation of the over-and-under collection among customers for rate adjustment based on existing allocation methodology recognized by the Commission.<sup>1</sup>

### **3. Position of SDG&E**

The recorded balance in the ERRA at April 30, 2005 was a \$7.9 million overcollection. In May 2005, SDG&E received combined refund payments of \$38 million from the Mirant electric generator settlement and the El Paso Natural Gas settlement (fourth settlement) that were credited to the ERRA.<sup>2</sup> As a result of the refunds, the recorded balance in the ERRA at May 31, 2005 increased to a \$50.3 million overcollection, or 11.5% of the prior year's electric commodity

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<sup>1</sup> D.02-10-062, *mimeo.*, pp. 63-65. Also, see Pub. Util. Code § 454.5(d)(3).

<sup>2</sup> Distribution of refunds to the ERRA for electric generator settlements and the El Paso Natural Gas settlement were adopted in Resolution E-3893 and D.03-10-087, respectively.

revenue,<sup>3</sup> exceeding both the 4% trigger point and the 5% AB 57 threshold. As required by D.02-10-062 (ordering paragraph 14), SDG&E filed the instant application addressing disposition of the overcollected ERRA balance. SDG&E proposes to amortize the recorded \$50.3 million overcollection as a reduction applied to all consumption not subject to AB 1X rate caps.

#### **4. Conclusion**

We approve SDG&E's proposal to amortize the \$50.3 million overcollection in its ERRA over a 12-month period as a reduction applied to all consumption not subject to AB 1X rate caps. SDG&E's proposal is reasonable because all increases in revenue requirement for the residential class were allocated to usage above 130% of baseline usage.

#### **5. Categorization and Need for Hearings**

In Resolution ALJ 176-3156 dated July 21, 2005, the Commission preliminarily categorized this application as ratesetting, and preliminarily determined that hearings were not necessary. No protests have been received. There is no apparent reason why the application should not be granted. Given these developments, a public hearing is not necessary, and it is not necessary to disturb the preliminary determinations.

#### **6. Comments on Draft Decision**

This is an uncontested matter, in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code § 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

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<sup>3</sup> The 2004 recorded electric commodity revenue excluding DWR revenue, were \$438 million. (*See* Advice Letter 1679-E, effective May 11, 2005.)

**7. Assignment of Proceeding**

John A. Bohn is the Assigned Commissioner and Bertram D. Patrick is the assigned Administrative Law Judge in this proceeding.

**Findings of Fact**

1. A notice of the filing of the application appeared in the Daily Calendar on July 6, 2005.

2. There were no protests to this application.

3. A hearing is not required.

4. SDG&E's ERRRA May 31, 2005 balance of \$50.3 million overcollection exceeds the 4% trigger point and the 5% threshold mandated by AB 57.

**Conclusions of Law**

1. The \$50.3 million ERRRA overcollection should be flowed through to ratepayers.

2. SDG&E's proposal to amortize the \$50.3 million overcollection over a 12-month period, applied as a reduction to all consumption not subject to AB 1X rate caps, is reasonable and should be approved because all increases in revenue requirement for the residential class were allocated to usage above 130% of baseline.

3. So that the rate reduction may be passed through to ratepayers without delay, this decision should be effective today.

**O R D E R****IT IS ORDERED** that:

1. San Diego Gas & Electric Company (SDG&E) shall amortize the May 31, 2005, \$50.3 million overcollection in its Energy Resource Recovery Account over a 12-month period. The reduction shall be applied as a reduction

to all consumption not subject to AB 1X rate caps and will remain in place until the overcollection is fully amortized.

2. To avoid multiple rate changes in a short space of time, the rate reduction authorized by this decision shall become effective concurrently with the rate change expected in Application 04-06-035, SDG&E's Catastrophic Event Memorandum Account Proceeding.

3. The advice letter implementing this rate reduction shall be effective subject to Energy Division determining that the filing is in compliance with this order.

4. Application 05-06-044 is closed.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.